Chapter 2

Like Nothing Anyone Could Recall: *Evolution of the California Budget for 2021-22*

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"Is that fun?" (Jimmy) Kimmel asked (Governor Gavin) Newsom about his job. "You're asking me if being governor of California is fun? This last year?" the governor replied. "It's been a helluva lot of fun."

Sacramento Bee[1]

In normal times, one California state budget follows another, generally without major controversy. During a downturn or economic slump, the fiscal challenge becomes more difficult as tax revenue drops and budget cuts – often politically painful – land on the agenda. During recoveries, revenues begin to return, and past spending cuts are often undone.

Fiscal year 2019-20 began as a boom year back in July 2019. Halfway through in January 2020, when the governor made his initial proposal for 2020-21, the outlook was still looking bright. Yes, there were reports of a viral disease in China which was beginning to spread outside that country. Some disturbing news about the disease was coming from Italy, where hospitals were beginning to be overwhelmed with cases. But the California unemployment rate was a little over four percent, quite low by historical standards, so what could possibly go wrong closer to home? As it turned out, the answer was just about everything.

By March 2020, Governor Gavin Newsom effectively shut down the state (and major parts of its economy) to deal with the spreading coronavirus (COVID-19) and to avoid an Italy-type situation from developing in California. Across the country in the New York City area, a major health crisis resembling that in Italy was already developing. By April, the official unemployment rate in California hit sixteen percent.

Schools, restaurants, and other entities in the state were closed or left to operate at low levels. While vaccines already were in development, none would become available until late 2020, and the general public would not have access to them until well into 2021. California, largely through emergency executive orders of the governor, experimented with various degrees of openings and closings, and experienced waves of disease incidence until vaccines came along and brought about a general reopening in June 2021. By the following July, however, the case count began to rise again including some "break-through" infections of individuals who were vaccinated.

Despite the virus and its ups and downs, the state's budget process had to go on. When the initial shutdown occurred, the old budget proposal for 2020-21 that the governor had made in January 2020 was essentially scrapped. A new proposal was submitted by the governor in May 2020 for fiscal year 2020-21. Cuts in revenue compared to fiscal year 2019-20 were expected and a budget was enacted with reduced expenditures based on those pessimistic tax assumptions.

But then, the expected didn't happen. Revenues came in above expectations, in fact well above. Moreover, with the change in Washington, DC from the Trump administration to the Biden administration, unanticipated aid came from the federal government. That fiscal/political shift was the background for budget enactment for the 2021-22 fiscal year. Also in the background, and increasingly in the foreground, was a recall effort to remove Governor Gavin Newsom from office before the regularly election of November 2022. A recall election was scheduled for mid-September 2021.

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[1] "Gavin Newsom, Live!" Capitol Alert of *Sacramento Bee*, May 31, 2021. Available at https://www.sacbee.com/news/politics-government/capitol-alert/article251732138.html.

In this chapter, we examine California's state budget-making process in these unprecedented circumstances, taking the story through July 2021 when the 2021-22 budget-making cycle ended.

Budget 101

"'When I use a word,' Humpty Dumpty said in rather a scornful tone, 'it means just what I choose it to mean — neither more nor less.'"

Through the Looking Glass[2]

While it is true that the same word can have different meanings and be defined in different ways, when it comes to budget accounting, terminology is best used consistently. Unfortunately, when it comes to state and local finance, including in California, loose language is the rule. Words and phrases such as "surplus," "deficit," and "balanced budget" are often used with varying meanings and without clear definitions. When officials use fuzzy terminology, news reports rarely go into detail as to what is meant by the terms they use. More typically, journalists simply report what is said without asking for precision or providing their audiences with definitions.

Flows and Stocks

It is important, despite the sloppy language often used, to have basic definitions so that when you read further on in this chapter that the state budget was in surplus or deficit (or balance) in a particular period, you will understand what is meant by the terminology. The first thing to understand is that fiscal accounting can be seen either as occurring over a period or, alternatively, at a moment in time. That is, there is a distinction between *stocks* and *flows*.

As we (properly) use the term "surplus" here, it means that during a specified period – usually a fiscal year – more money came into (flowed into) an account than went (flowed) out of it. "Deficit" means the opposite: less money came in than went out. (And, thus, a "balanced budget" is the knife-edge condition when the money coming in equals the money going out.) Note that all of these definitions involve *flows over time*, that is, it takes time for money to flow in or out.

In contrast to flow concepts, there are also *stock* concepts – definitions that apply to a moment in time, often the date marking the beginning or the end of a fiscal year. At that point, a given account could have assets in it or be in debt. But assets – a stock concept – are not the same thing as a surplus – a flow concept. And debt – which is a stock concept – is not the same thing as deficit – a flow concept.

Simple Example

The best way to understand these concepts and their differences is to use an example of a hypothetical standard checking account. A typical household will use its checking account to receive income from wages and other sources. It will then pay its day-to-day expenses from that checking account. In that sense, a household checking account is analogous to what is referred to in state and local finance as a "general fund" – the account a government uses to pay its ordinary ongoing expenses such as the salaries of civil service workers.

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[2]Lewis Carroll, *Through the Looking Glass and What Alice Found There* (1871), Chapter 6. Available at https://www.alice-in-wonderland.net/resources/chapters-script/through-the-looking-glass/chapter-6/.

Suppose on January 1 of a given calendar year, you had $1,000 in your checking account. Suppose at the end of the year you had $700 in your account. For that change to have occurred, you must have spent a net of $300 more than you received during that year. So, you had a deficit of $300 during the year (outflows > inflows), even though you still had positive assets at the end of the year. Calling the remaining $700 a surplus would be very misleading, particularly if it led you to believe that you could go on indefinitely with your spending habit. If you went on for three years with a deficit of $300 in each, by the end of the fourth year, your checking account would be overdrawn by $200, i.e., you would owe the bank $200 (debt).

Now suppose you started the year with $1,000 in your checking account and ended the year with $1,100. In that case, you would have run a surplus of $100 during the year. In both these examples, you can calculate your surplus or deficit by looking at what we might call the reserve in your account at the beginning of the year and again at the end of the year, and then subtracting the latter from the former.

Adding a Savings Account

We can complicate these two examples by adding a savings account to the mix. Suppose you had a savings account at the same bank with a directive to the bank to divert $10 a month ($120 a year) from the checking account (your "general fund") to your savings account. You might think of the savings account as a "rainy day" fund, i.e., a reserve you would like to keep handy in case of some emergency, say, a job loss.

Suppose again that you started the year with $1,000 and ended with $700. Looking just at your checking account, you ran a deficit of $300. But now we have to consider the fact that assets in your savings account were building up to the tune of $120. So, your total net deficit – counting both your checking account and your savings account - is only $180. In the second example, where your checking account was running a surplus of $200, you would have a total net surplus of $320.

As we will see, the actual California general fund – the state's checking account for day-to-day expenses – in fact is associated with various savings accounts. Thus, as in the example above, to get a picture of the state's fiscal affairs, you have to look at a combination of the general fund and the special savings accounts that are associated with the general fund. However, before we get to actual state budget numbers, there is one more complication to consider.

Cash and Accrual (and Creativity)

Most households focus on cash flowing in and out and on the cash (or debt) they have on hand. Businesses, however, often adjust their financial reports using "accrual" accounting. Accrual accounting is meant to give those who evaluate the business, say, the shareholders or potential lenders, a more accurate financial picture of how the business is faring.

Let's go back to our initial example in which your checking account started with $1,000 and ended with $700. Imagine, however, that toward the end of the year, you had done some work on the side as an independent contractor and were owed $400 at the end of the year but had not yet been paid. That $400 which you are owed is an asset to you. Suppose in addition, that to do your independent contracting, you had used your credit card to buy $75 of necessary supplies but the payment on the card wasn't due until after the calendar year (so you have incurred a debt of $75 but not yet paid it off). On an accrual basis you have accumulated net assets of $325 ($400 - $75) which have not yet been

reflected on a cash basis in your checking account. Thus, on a cash basis, you had a deficit of $300 but on an accrual basis you had a surplus of $25.

Accrual accounting is supposed to give a more accurate picture of your financial situation than cash accounting since it removes accidents of payment timing. State and local governments typically use some version of accrual accounting when they enact and publish their budgets. In theory, it should be the case that you are able – as in our example above – to reconcile the accrual statements with the cash statements. California does present cash accounts as well as budgetary accrual accounts. But there is no real attempt by the state to publish a reconciliation of the two. And, as a further complication, cash statements of state revenue issued by the Department of Finance do not precisely agree with cash statements of revenue issued by the state controller.[3]

There is an additional problem with regard to accrual accounting as actually practiced by the state. Precise budgetary methodology for presenting state accounts is in the hands of the legislature. Thus, there is a certain "flexibility" in state accounting that might be frowned upon in the private sector. (Of course, creativity in accounting in the private sector also sometimes occurs.) In the next section, we will look at actual budgetary data for the State of California as applied to fiscal 2020-21 and fiscal 2021-22. Then, having reviewed the numbers, we will back up and look at the background history of the budget as it evolved during the very strange 2020-21 fiscal year and into early 2021-22.

The Actual State Budget

"I never knew it could be like this."

Actress Deborah Kerr in the film "From Here to Eternity"[4]

Let's start with a look at the state's cash accounts for the general fund. Figure 1 shows cumulative receipts of cash in fiscal year 2020-21 as compared to the prior year and as compared to two forecasts for 2020-21. One projection was made in June 2020 when the fiscal year's budget was enacted. The second was made in January 2021 as an adjunct to the governor's proposal for the next year (2021-22).

More Cash Arriving

It's not surprising that cash receipts in 2020-21 exceeded that of the prior year because the state deferred the due date for income and other taxes from mid-April to mid-July. (This shift in the due date affected cash accounts but not accrual accounts.) More importantly, actual cash receipts for 2020-21 ran well ahead of the pessimistic projections of June 2020. They even ran ahead of the January 2021 projections which were made at a time when it was becoming apparent that the earlier projections had been too pessimistic.

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[3]For fiscal 2020-21, the Department of Finance's reported cash revenue inflow exceeded the state controller's estimate by a little over $1 billion. See the July 2021 Department of Finance's *Finance Bulletin*, available at https://dof.ca.gov/Forecasting/Economics/Economic_and_Revenue_Updates/documents/2021/Jul-21.pdf and the June 2021 state controller's monthly cash statement at https://sco.ca.gov/Files-ARD/CASH/JUNE2021StatementofGeneralFundCashReceiptsandDisbursements.pdf. Both publications refer to the full fiscal year.

[4]Beach kiss scene: https://www.youtube.com/watch?v=nvbRdxVLC7I.

Spending Developments

Figure 2 shows actual cumulative spending (disbursements) in 2020-21 compared with forecasts of such spending made in June 2020 and January 2021. It also shows actual cumulative spending in the prior year, 2019-20. Because expected revenues for 2020-21 were originally projected on pessimistic assumptions, expected disbursements were cut relative to the prior year. But as good news on revenues arrived the level of spending was raised. In fact, spending was projected in January 2021 to rise *above* the prior year. But as it turned out, the enacting of spending plans was not the same as getting the money out the door. Implementing programs is harder than creating them. In the end, actual spending in 2020-21 was about the same in nominal terms as what occurred the year before.

Cash on Hand

The general fund, like your checking account, at any point in time shows some amount of money as a reserve. A positive amount can be viewed as a reserve available to be spent. As we will discuss in the next section, there are various state "savings" accounts apart from that reserve that are associated with the general fund which also provide a cushion of resources. But the state also maintains accounts outside the general fund for earmarked purposes designated by the legislature. The most familiar are trust funds for transportation into which flow receipts from gasoline and other transportation-related taxes. These funds finance roads and other forms of transit. Beyond these transportation-related accounts are myriad other earmarked accounts, all of which contain some cash for purposes deemed worthy by the legislature.

If necessary, the state can borrow from these outside funds to finance its general fund. Typically, such borrowing only occurs *within* a fiscal year. But on rare occasions of budgetary stress, it can cross from one fiscal year to another. Figure 3 shows that the total of all resources that were available and unused for such internal borrowing during fiscal 2020-21 floated around $50 billion. Month-by-month, the level was well above the prior year and above what was initially forecast for 2020-21 in June 2020. It even finished the fiscal year well above the less pessimistic forecast made in January 2021. In short, there was a great deal of state cash on hand by the end of 2020-21, more than had been anticipated.

Evolution of the 2020-21 Budget Seen in Accrual Terms

As noted earlier, the governor and legislature enact a budget in accrual, not cash, terms. There are various dates at which a budget is analyzed, starting with its actual enactment. As Table 1 shows, the expectation back in June 2020 when the budget for fiscal 2020-21 was enacted was that there would be general fund revenues of about $138 billion and spending of about $134 billion. By itself, those estimates would produce a budget surplus of about $4 billion, i.e., the reserve in the general fund would rise by about that amount.

However, there are various auxiliary savings accounts linked to the general fund whose reserves might rise or fall, depending on whether net revenue was fed into those accounts or whether those accounts were pulled down. These outside accounts are the Public School, Safety Net, and Budget Stabilization accounts, also shown on Table 1. When we add all of the starting reserves at the beginning of the year (July 1, 2020) and subtract the ending reserves (June 30, 2021), we can calculate the surpluses or deficits in each of these savings accounts.

When we sum them all together with the reserve in the general fund, we can calculate the overall surplus or deficit, which – as shown on Table 1 – was originally expected to be a deficit of about $4.5 billion. Even with that deficit, total reserves would still be about $15 billion at the end of the year in the original June 2020 projections, equivalent to about 11% of expenditures. Eleven percent is not bad by historical standards.

In November, the Legislative Analyst's Office (LAO) re-estimated what was occurring in the 2020-21 budget and found that revenues and transfers were likely to be almost $36 billion higher than originally forecast. It also estimated that spending would be almost $13 billion higher than the original projection. However, when the governor released his own (really the Department of Finance's) estimates for 2020-21 in January 2021, he was more conservative on revenues than the LAO, although he had higher estimates of spending.

Governor Newsom forecast in January 2021 that 2020-21 revenues would "only" be about $25 billion higher than the original estimate. Spending would be higher by almost $22 billion. But the net effect – taking accounts of changes in total reserves – would be a surplus of over $3 billion instead of the original $4.5 billion deficit, leaving total reserves at the end of the year at about 17% of expenditures.

By May 2021, the governor's estimates of revenues and transfers into the general fund had risen further; by then he had projected they would be over $49 billion higher than originally enacted. Spending would be up by over $31 billion than originally planned. When the various state savings accounts were factored in, the estimated surplus for the year was about $19 billion. State Democratic legislative leaders made a separate estimate that was closely aligned with the governor's figures in June 2021. And when the budget for the next year (2021-22) was enacted, the governor's estimates for the now-ended 2020-21 year was a surplus approaching $20 billion. Reserves closed out the year at almost 26% of expenditures.

Such a swing in a given year's budget over an eleven month period was unprecedented. It meant that there was substantial room in the 2021-22 budget for deficit spending since even a large deficit – *assuming it wouldn't repeat indefinitely* - would not pull down reserves into some danger zone. Of course, the numbers by themselves do not explain why 2020-21 turned out so much better than expected, despite the slump caused by the coronavirus. What explained the large change?

Table 2 provides one factor in the better-than-anticipated results. The UCLA Anderson Forecast provides estimates of the state's future economy on a quarterly basis. As can be seen on Table 2, the UCLA Forecast's estimates of unemployment – one measure of economic performance - for fiscal 2020-21 were quite pessimistic as of June 2020. But by December 2020 (around the time the governor's January 2021 estimates were being put together), its outlook for California had brightened. In the end (June 2021), it turned out that the Forecast had been a little too optimistic in December 2020. Even so, things were working out better than when the original budget for 2020-21 was enacted.

The aggregate economy, however, is not the whole story. State revenue to the general fund is heavily dependent on the personal income tax. And the California personal income tax is highly progressive and depends heavily on the top earners. The coronavirus slump had much less negative impact on those top earners – many of whom could work from home and did not lose their jobs – than it did on those with lower incomes. Moreover, top earner taxable incomes often come from financial markets. But the stock

market in particular, after an initial shudder, did well despite the slump. Also, additional, funds arrived from the federal government for coronavirus relief and for general economic stimulus.

Evolution of the 2021-22 Budget from Proposal to Enactment

The story of the budget proposal for 2021-22 is closely linked to the tale of the re-estimates of the 2020-21 budget. Back in November 2020, the LAO prepared what is sometimes termed a "workload" budget, an estimate of what the 2021-22 budget would be if no changes were made in taxes and programs. Table 3 shows the result. Although LAO did not provide estimates for the Public School account, it estimated that overall, the budget would be roughly balanced, although revenues and transfers would be below its estimates for 2020-21. The governor in January upped both revenue and spending estimates but still emerged with a roughly balanced budget.

While presenting a budget in January is mandatory for the governor under the state constitution, there is a long tradition of a second presentation in mid-May, the "May Revise," which incorporates more recent economic and budgetary data. By May 2021, the governor's proposals for spending had been ramped up substantially, as were his revenue and transfer estimates. Spending rose by more, so that his proposal for 2021-22 now included a deficit of roughly $15 billion in total. But note that his estimate for 2020-21 included a surplus of over $19 billion. Legislative Democrats came back with a modified proposal that differed in components but in macro terms was similar. Compromises were reached and the final product, which ended up emerging in bits and pieces in June and July 2021, remained in the vicinity of the May Revise.

With the overall numbers now in place, we go back through the timeline during fiscal 2020-21 and trace events that surrounded the evolution of the 2021-22 budget in the sections below.

Timeline: Summer of Discontent

"Californians are rightfully confused by the rapid, even erratic, changes of course that Gov. Gavin Newsom has steered in recent weeks after drawing praise for his early and straightforward actions in the first days of the public health crisis. Newsom's regular... webcasts on COVID-19 have evolved into repetitive talkathons resembling those annoying public television fundraising breaks. At one he will boast of the state's progress in slowing the infection rate, and at another chastise Californians for not wearing their masks and threaten a crackdown."

Columnist Dan Walters, June 2020[5]

The enactment of the 2020-21 budget took place amidst a wave of coronavirus infections, shown on Figure 4, generally attributed at the time to a too-early reopening of the economy at the end of May 2020 along with crowds that gathered at protests over the George Floyd murder. For the governor, the pandemic had created a no-win situation. Public patience was wearing thin about the initial lockdown, even though it was heralded at the time as keeping California from experiencing an Italy-type situation of overwhelmed hospitals or the somewhat less severe situation that occurred in the New York City area.

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[5]Dan Walters, "Newsom's confusing COVID-19 decrees," *CalMatters*, June 29, 2020. Available https://calmatters.org/commentary/dan-walters/2020/06/california-newsoms-confusing-covid-19-reopening/.

When the 2020-21 budget was enacted in June 2020, there was no vaccine in sight. And although much was made of "listening to the science," there were too many unknowns to answer questions about exactly what the trade-off was between a relaxation of this or that restriction and resulting infections. Also unclear was how any particular relaxation would link to economic performance. The governor appointed a large task force of business and other leaders to advise him on the subject, but the task force was unwieldy, and it was never clear what role, if any, it was playing in decision making.

The Implementation Problem

Moreover, there was a temptation for Governor Newsom, at the lengthy "talkathons" referenced in the quote above, to promise new programs to deal with the virus situation that actually were slow in implementation. A major problem, which had become increasingly evident, was in the processing of unemployment insurance claims by the Employment Development Department (EDD). The volume of conventional claims, i.e., payroll employees laid off due to the coronavirus, had far exceeded what might be experienced in a normal economic downturn. And, in addition, EDD was expected to handle claims by "gig" workers – independent contractors such as Uber drivers – who normally were not eligible for unemployment compensation and for whom normal records of pay did not exist.

For those gig workers, EDD was supposed to rely largely on assertions by applicants, a process that caused a problem of vast fraud, with payouts that ended up going to prisoners and other con artists that were valued in the billions. Since those payments were outside the normal unemployment benefit program, the costs were borne by the federal government. Still, although other states faced similar problems, California seemed to outdo the others in paying out fraudulent claims.

At the same time, legitimate claimants were often unable to file claims or to receive assistance from EDD by phone. Large backlogs of claims developed, even for those persons who were able to file. Eventually, a "strike force" was created somehow to fix EDD's problems, although it didn't seem to have much effect.[6]

While individuals, particularly in politically conservative areas of the state, were increasingly resisting the various pandemic rules, there was one group of people who had little opportunity to engage in social distancing – state and local prisoners. In one case, prisoners from one prison where an outbreak had occurred were transferred to another facility, thus spreading the virus. But releasing prisoners carried both political and social risks, yet another dilemma for the governor not readily resolvable by "listening to the science."

The closure of K-12 schools was initially seen as a necessity, and remote instruction by Zoom and other means was attempted, often without great success. And over the summer of 2020, the issue of whether schools could be reopened temporarily receded. Still, the issue of what might happen in the fall of 2020

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[6]The unemployment insurance program had two elements, regular eligibility for payments (which are not particularly high in California), and pandemic supplements funded by the federal government. The regular payments are ultimately paid for through payroll taxes on employers. Eventually, the large volume of regular unemployment payments experienced in California will require increased taxes on California employers when what the state borrowed from the federal government to make the regular payments has to be paid back. Such payments are outside the state budget and the general fund. The other payments to gig workers and the pandemic supplements were federally-funded as noted in the text and were not part of the borrowing from the federal government.

hung in the air. Rules such as maintaining six feet distances between students were not going to work in buildings and classrooms not constructed for such purposes. In any case, there were still shortages reported of personal protective equipment (PPE) for schools. And although in the absence of vaccines, wholesale testing was seen as the appropriate public health strategy, capacity to do such testing and – importantly – report back the result on a timely basis was still lacking.

Continued Budget-in-Distress Perceptions

Since the perception was that the state budget was surely in distress, various public sector unions in state government had agreed to furloughs to save money. For those unions that didn't agree, the governor could in any case order furloughs.[7] Governor Newsom said he would temporarily cut his own pay, but when journalists inquired, the promised cut turned out not to have happened. His cut was quickly implemented when the news came out, and the delay was attributed to an error. In any case, the various negotiated pay cut deals for state workers – reflecting an assumption of a budget crisis that turned out not to exist – remained in effect until July 1, 2021. (New deals undoing the cuts were then implemented.)

Meanwhile, desperate for more money, based on the same still-pessimistic budget crisis assumptions, some legislative Democrats dreamed up a plan to give taxpayers an incentive to pay their taxes early via discounts on taxation – in effect a complicated and expensive approach that amounted to borrowing. The plan, in the end, never was implemented. In any event, there was always the prospect or hope of more federal money, particularly for raging wildfires that had developed in California. Governor Newsom's strategy in that regard was to say nice things about the aid the Trump administration was providing for wildfire relief. Indeed, a clip of Newsom saying those nice things was aired at the Republican presidential convention.[8]

Apart from that clip of a Californian saying something nice about President Trump at the Republican convention, there was the spectacle of the governor's ex-wife, Kimberly Guilfoyle, saying nasty things about the state at the same event. She proclaimed that *"Democrats turned (California) into a land of discarded heroin needles in parks, riots in streets and blackouts in homes."*[9] The latter was a reference to electrical blackouts implemented during a heat wave that taxed the capacity of the state's power system.

In short, the summer of 2020 was a season of things going wrong and the initial impression being erased of a state effectively meeting the challenge of a pandemic. But as Figure 4 shows, in fact the wave of infections that developed early on in the summer peaked sometime in July and started to recede. The fall was expected to be a calmer period, at least measured by coronavirus cases. But there were other surprises coming.

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[7]There had been – in the aftermath of the Great Recession of 2008 – a court ruling that the governor couldn't order furloughs without legislative approval. But in the coronavirus case, the legislative authorization of emergency powers for the governor was deemed to be the necessary authority.
[8]Available at https://www.youtube.com/watch?v=KGfBALYs5n0.
[9]Quoted in David Lightman, "Gavin Newsom's ex-wife takes on California in Republican National Convention speech," Capitol Alert of *Sacramento Bee*, August 24, 2020. Available at https://www.sacbee.com/news/politics-government/capitol-alert/article245228045.html.

Throughout the summer, the basic budget assumptions went largely unquestioned. The virus-induced slump surely would cut into state revenue dramatically. And the spending reductions that were enacted in June were assumed warranted by that assumption. But there were signs that more revenue was coming in than originally forecast. The cash statements of the state controller – see Figure 1 – showed that cumulative receipts were coming in above projections. But since the numbers might be a temporary fluke or blip, a wholesale reconsideration of the state's fiscal situation was not undertaken during the summer despite these early revenue reports.

Timeline: The Troubles of the Fall

"Gov. Gavin Newsom dramatized the chasm that divides California – more severely than North versus South or inland versus the coast. Flouting his own guidelines and exhortations to Californians to avoid socializing, Governor Newsom and his wife joined a birthday celebration for a friend – and prominent lobbyist – at the luxurious French Laundry restaurant in the Napa Valley. It is hard to say which was more astounding, the hypocrisy or the hubris."

Columnist Miriam Pawel, November 2020[10]

The acceptance of the original budget assumptions continued into the fall. The Legislative Analyst's Office as late as early October, for example, issued a report that simply analyzed what the enacted budget had done without challenging its underlying projections.[11] It wasn't until another month had elapsed that the LAO began to describe a "windfall" that might be arising and that would benefit the next budget year.[12] At that point, the Democratic leadership in the legislature began calling for reversing the previously enacted cuts in light of the good fiscal news.

Bills and Announcements

With the focus only beginning to turn to the budget and the possibility that revenue projections had been too pessimistic, other topics came to the fore – in part because the governor chose to emphasize them. Governor Newsom announced a policy of ending gasoline-powered cars in California by 2035, provoking an angry response from the Trump administration. He signed a bill aimed at reducing plastic waste. Thus, environmentalism was highlighted. In addition, he signed a bill that would enable the state to contract with drug manufacturers to produce common medications such as insulin at lower cost to consumers and another bill requiring "equal pay" reports from employers. Newsom signed a bill restricting local governments from switching employees from defined benefit pensions under CalPERS to defined contribution plans.

Although he had signed a bill requiring ethnic studies courses at CSU, he vetoed one requiring such courses in K-12 schools and called for further revisions of the plan. He also vetoed a bill that would have restricted police response to journalists to citations for such actions as failure to disperse and another providing certain protections for domestic workers. With his varied signings and vetoes, Newsom

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[10]Miriam Pawel, "Gavin Newsom, What Were You Thinking?" *New York Times*, November 25, 2020. Available at https://www.nytimes.com/2020/11/25/opinion/gavin-newsom-french-laundry-california.html.
[11]Legislative Analyst's Office, *The 2020-21 Budget: Overview of the California Spending Plan*, October 7, 2020. Available at https://lao.ca.gov/reports/2020/4263/spending-plan-2020.pdf.
[12]Legislative Analyst's Office, *The 2021-22 Budget: California's Fiscal Outlook*, November 2020. Available at https://lao.ca.gov/reports/2020/4297/fiscal-outlook-111820.pdf.

seemed to be following what had been dubbed the "canoe theory" of California politics of his predecessor, Jerry Brown: paddling to the left, paddling to the right, and going down the middle.[13]

However, it's hard to please everyone, even by following the canoe approach. The Disney CEO, Bob Iger, quit the economic recovery task force that Newsom had been created as it became clear that his membership wasn't a ticket to getting his theme park reopened any time soon. The EDD problems persisted into the fall (and beyond) including a complaint by the state auditor that EDD was exposing claimants of ID theft by mailing out forms containing Social Security numbers. EDD's director announced she would be retiring after being unable to undo the backlog of unprocessed unemployment benefit claims. (A new director was later brought in from the private sector, but the problems of unanswered phone calls and case backlogs continued.)

Dirty Laundry

And then, in mid-November, came the French Laundry affair. Newsom was photographed attending a dinner for a lobbyist at an extremely expensive restaurant, The French Laundry, in the Napa Valley. The presence of the governor and his wife at the dinner occurred at a time that Californians were being cautioned about socializing. Although the dinner may have been in accord with local health regulations, the spirit of the pandemic rules that the governor himself had been promoting in his many (too many?) video news conferences was clearly violated. In addition, dining at an extremely expensive restaurant when many state residents were in economic distress was political poison.

Newsom's predecessor, Jerry Brown had always maintained an image of frugality and claimed in a subsequent interview that while he had heard tell of the French Laundry, he had been confused about it and thought it was in fact a laundry.[14] The French Laundry affair was a gift to recall proponents. Later, they ran a weekly radio program in Los Angeles entitled "Friday Night at the French Laundry."[15]

As it turned out, other public officials also were caught in similar circumstances. And it also was revealed that executives of the California Medical Association were at the same infamous dinner that the governor and his wife had attended. But somehow the governor's French Laundry misbehavior remained in the public consciousness whereas memories regarding the dining foibles of others seemed to fade.

An apology by the governor in which he termed his dinner attendance a "bad mistake" did not put an end to the issue.[16] Newsom issued a new "ethics memo" that was supposed to regulate relations with

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[13]"Jerry Brown's Canoe Theory," *NBC Los Angeles*, July 19, 2011. Available at https://www.nbclosangeles.com/news/national-international/jerry-brown-and-the-art-of-canoe-paddling/1886144/.

[14]Brown interviewed about the recall at https://archive.org/details/vaccine-lottery-prize-7-1-21/Brown+on+recall.mp4.

[15]An episode is available at https://archive.org/details/vaccine-lottery-prize-7-1-21/Friday+Night+at+the+French+Laundry+7-9-21.wmv.

[16]Quoted in Sophia Bollag, "One of Gov. Gavin Newsom's children quarantining after COVID-19 exposure," Capitol Alert of *Sacramento Bee*, November 20, 2020. Available at https://www.sacbee.com/news/politics-government/capitol-alert/article247337799.html. The apology can be seen at the governor's news conference of November 16, 2020 available at https://archive.org/details/newsom-11-9-20/newsom+11-16-20.mp4 (minute 39:40) or direct to https://www.youtube.com/watch?v=NafEJfGJqaQ.

lobbyists. However, it was unclear that his memo would affect the lobbyist at the heart of the French Laundry affair.

Not surprisingly, as noted, the French Laundry dinner was cited by those who later succeeded in putting a recall election on the state ballot.[17] Part of the reason was that, as shown in Figure 4, the coronavirus case rate was rising rapidly to a level that eventually far exceeded the surge in infections of the previous summer. The new surge led to the governor calling for another lockdown only a few days after the French Laundry affair hit the headlines and then disbanding his economic recovery task force.

Another factor perpetuating the memory of the French Laundry revelation was that the governor's children were found to be attending a private school which featured in-person instruction in contrast to the often-unsatisfactory remote offerings of most public schools. Parents in some public school systems were becoming increasingly concerned about inadequate Zoom classes. A lawsuit against the state was filed asserting that California was failing in its duties to provide an education under the state constitution.

Later, the City of San Francisco filed a similar suit against its own local school district. As time went on, there were threats of recalls against elected school boards over the reopening issue. But as the New Year approached, Governor Newsom hinted there would be financial incentives from the state to school districts to reopen in spring.

Another Lockdown

The new lockdown was a blow to small businesses that had survived the earlier lockdown. Given the better-than expected cash position of the state that was becoming apparent (Figure 3), Newsom allowed small businesses to defer transferring sales tax receipts that they had collected to the state for three months. In effect, the deferral program was a temporary interest-free loan. He also promised to work with the legislature to come up with other forms of assistance to small business.

As it turned out, what seemed to be the ultimate remedy for small business, for students, and for everyone else was coming into view: vaccines under the federal government's Operation Warp Speed program. The state began to fashion a priority list for vaccination based on such factors as occupation and age. In the end, however, as more and more vaccine became available, the need for rationing ceased. At this writing, everyone aged 12 and over is eligible for easily accessible and free vaccinations, and there is a possibility that approval will be granted for younger children to be vaccinated.

National Election Results

Given the oddities of the Electoral College process, neither Trump nor Biden campaigned in California since it was certain to go for Biden, although both candidates used the state for fundraising. Nonetheless, there was much public focus within the state in the presidential outcome. The national

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[17] The French Laundry affair was reported to have a positive impact on the lobbyist involved, perhaps because it suggested that he had special influence with the governor. See Alexei Koseff, "His French Laundry birthday party with Newsom became infamous. Then his lobbying firm's revenue boomed," *San Francisco Chronicle*, May 19, 2021. Available at https://www.sfchronicle.com/politics/article/After-French-Laundry-dinner-a-lobbying-boom-for-16186958.php.

outcome competed for attention with the numerous state ballot measures on the same November 2020 ballot – shown on Table 4 – that were being posed to California voters.

The most significant budgetary item on the ballot was Prop 15, the split-roll initiative that would have raised local property taxes on commercial businesses, but it was defeated.[18] Prop 19, was promoted as a property tax *break* for seniors, but actually was a mix of senior-related provisions that net *raised* money. Voters did approve Prop 19 and also voted for a new state bond issue to finance stem cell research under Prop 14. Eventually, the debt service for those stem cell bonds would have to come from future general fund expenditures.

The year 2020 closed with both a new budget for 2021-22 about to be put forward and a new external political configuration in the offing, thanks to the victory of Joe Biden for president. On the budget, as has been noted, the incoming news by then was better than originally expected in terms of state revenues. While we don't know for sure what forecasts the state Department of Finance was looking at when preparing the governor's budget proposals, we can see the change in the forecasting atmosphere from the UCLA Anderson Forecast shown on Table 2 to which we referred earlier.

UCLA-Anderson's June 2020 forecast for fiscal year 2021-22 put the average California unemployment rate at around 7.5 percent. (We are averaging the quarterly rates shown on Table 2.) But its December 2020 forecast for the same period put average unemployment for 2021-22 at a bit under 6 percent. In short, both the underlying state economy – particularly with vaccines coming online – and the revenue generating potential of that economy, looked much improved. The governor could look forward to presenting good budgetary news after the winter case surge began to abate.

On the political front, a series of vacancies developed. Once Joe Biden took his new office in January 2021, so, too, did his vice presidential running mate, California Senator Kamala Harris. The resulting U.S. Senate vacancy allowed Newsom to appoint California's Secretary of State Alex Padilla to fill that spot as the first Latinx California senator. In turn, the vacancy created by Padilla's elevation to the U.S Senate allowed Newsom to fill the Secretary of State spot with Assemblymember Shirley Weber, the first African American in that role.[19]

In addition, California Attorney General Xavier Becerra was chosen by Biden to be U.S. Secretary of Health and Human Services. His new appointment created yet another state vacancy for Newsom to fill. Newsom appointed Assemblymember Rob Bonta as attorney general, a man of Filipino descent. The governor was thus able to appeal to diverse constituencies with his appointments although there was some grumbling over who got what.

The Recall Develops

The ability to fill three state slots that are normally elective was a plus for Newsom. But his emergency powers related to the coronavirus pandemic was a more mixed blessing. Rules such as the new winter lockdown regulations were unpopular with many folks in the business community and increasingly an

[18]Under Proposition 13 of 1978, residential and commercial properties are taxed under the same rules, essentially 1% of the purchase price plus an inflation adjustment of up to 2% per annum in the assessed value. Under a "split roll," commercial properties would have been taxed at an actual market valuation.

[19]It might be noted that March Fong Eu of Chinese descent was California's secretary of state for many years (1975-1994). She followed Jerry Brown in that role.

annoyance to others. By late 2020, the above-mentioned gubernatorial recall petition seemed increasingly likely to succeed. The effort, unlike earlier tries at a recall which had failed, was initially sponsored by a motley crew of gadflies but increasingly was supported by big GOP donors and other Republican politicos.

Normally, petitions for recalls and initiatives are gathered by professional signature gathering firms, essentially by persuading people coming in and out of supermarkets and other public places to sign. With a lockdown, however, there was less public circulation available for signature gathering. However, a court decision gave the recall proponents extra time to solicit support in light of the unusual pandemic situation.

Oddly, Democrats did not file an appeal of this extension decision. If such an appeal had succeeded in blocking the extra time, it might well have killed the recall effort.[20] But absent a reversal of the allowance of extra time, sufficient signatures were obtained.

The failure to appeal was not the only sloppy legal work on behalf of the governor. When he had to file his own papers as part of the recall process, someone forgot to indicate on the appropriate form that Newsom was a Democrat. The secretary of state (recently appointed by Newsom!) refused to correct the omission and a court declined to order her to do so. Since Newsom's anti-recall campaign sought to emphasize the idea that the recall was a Republican coup, lack of a Democratic designation next to Newsom's name was seen as a detriment to this effort.

Complaints of those supporting the recall and signing the petitions included pandemic-related grievances (school closings, limits on religious gathering, mask rules, etc.) as well as an uptick in crime and homeless encampments. Thus, some of the issues were pre-pandemic while others related directly to the pandemic regulations. And, of course, there was the French Laundry affair to stoke the recall campaign. Newsom dissuaded any notable Democrats from filing to be on the ballot. Thus, if the recall succeeded, his replacement would likely be a Republican and quite possibly one with far less support than Newsom's.

Timeline: Winter Winds

"We are on a much better fiscal footing than anyone could have imagined even a few months ago."

Governor Gavin Newsom at his January 2021 budget presentation[21]

"The state drew up an elaborate game plan for [vaccine] dissemination, with phases and tiers... But instead of a clear pecking order, the result was confusion and a sluggish rollout... State officials acknowledged the process was probably too methodical. [State Health and Human Services Agency

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[20]A lawsuit was filed by a private citizen in May 2021 arguing that the recall proponents should not have been given extra time. But it failed to stop the process. See John Howard, "Newsom recall challenged in California appeals court," *Capitol Weekly*, May 10, 2021. Available at https://capitolweekly.net/newsom-recall-challenged-in-california-appeals-court/.

[21]Quoted in Sophia Bollag, Lara Korte, and Hannah Wiley, "After a painful 2020, California's next budget will have far more cash than anticipated," Capitol Alert of *Sacramento Bee*, January 9, 2021. Available at https://www.sacbee.com/news/politics-government/capitol-alert/article248383210.html. The budget presentation can be seen at https://archive.org/details/newsom-1-4-21/newsom+1-8-21+budget.mp4.

Secretary Mark] Ghaly told reporters... that the state's approach 'has led to some delays in getting vaccine out into our communities.'"

Sacramento Bee, January 2021[22]

January 2021 was a good news/bad news month. On one hand, the budget outlook had shifted dramatically for the better. The governor was able, first to leak, and then officially to announce in his budget message, a variety of new programs involving aid for small business, payments to individuals, encouragement of electric cars, and a variety of miscellaneous endeavors such as encouraging free college textbooks. Moreover, once the Biden administration took office, more federal aid and fewer clashes with the federal government were sure to be forthcoming.

On the other hand, there was the recall, which was becoming increasingly likely. In a complicated way, the January 6th insurrection in the Capitol building - in which Trump supporters tried to stop the process of confirming the Biden election - provided a talking point for Newsom. The recall could be painted as another effort by extremists to overturn an election, in this case, the November 2018 gubernatorial election that had put Newsom in office.[23] However, Newsom initially would speak about the recall only if reporters questioned him about it. He characterized the idea that he was relaxing some of the lockdown rules because of the recall threat as *"complete utter nonsense."*[24]

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Governor Newsom presents his January 2021 budget proposal on Facebook.

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[22]Dale Kasler, Sophia Bollag, Alexandra Yoon-Hendricks, Jason Pohl, and Tony Bizjak, "California lags far behind the rest of U.S. in COVID vaccinations. What went wrong," *Sacramento Bee*, January 15, 2021. Available at https://www.sacbee.com/news/coronavirus/article248492950.html.

[23]An anti-recall campaign ad to this effect can be seen at https://archive.org/details/dont-miss-your-shot-california-governors-want-you-to-get-the-covid-19-vaccine/Election+Rejection+6-17-21.mp4.

[24]News conference of January 25, 2021. Response available at https://www.youtube.com/watch?v=jQFy5d ti_A. Full conference available at https://archive.org/details/newsom-1-4-21/newsom+1-25-21.mp4.

Slow Vaccines

The advent of vaccines beginning to flow from the federal government at the tail end of the Trump administration was eventually good news for Newsom. But as the flow began, the state fumbled the initial vaccine rollout. Initially, of course, there was not enough vaccine available to provide shots for everyone aged 18 and over (and later 12 and over at this writing). However, the complicated administrative apparatus and priorities for rationing that the state had created led to a backlog in getting out the limited vaccine that was on hand. Even for those technically eligible, finding where vaccinations could be had was a challenge.

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Cars line up at Los Angeles County's mass vaccination site at the Inglewood Forum in mid-February 2021.

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Compared with other states, California did poorly in distribution early in the vaccine rollout, even to the point of being satirized on "Saturday Night Live."[25] The state created a website – MyTurn – that was supposed to assist in finding available appointments, but it often proved to be unhelpful. The website program also seemed to promise that volunteers to assist in the vaccination effort would receive early shots, but only a handful of people were given assignments.

Blue Shield was enlisted by the governor to coordinate the lagging distribution program, but local governments complained adding a new administrator simply added a level of complexity to the process.

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[25] Available at https://www.youtube.com/watch?v=B5rXK8HCL1Y.

McKinsey & Company, a consulting firm, was brought in to help Blue Shield. Similar problems were reported in the Central Valley where another outside entity was brought in and also led to complaints by local authorities.

Meanwhile, there were more challenges from local governments to the pandemic lockdown rules. San Diego County challenged the shutdown of restaurants and had some success at the Superior Court level. However, on appeal, the state's position on restaurants was upheld. The U.S. Supreme Court, in contrast, upheld a challenge to the state's limits on indoor religious services.

The Unfixed EDD

The chronic EDD problems persisted. It was determined, as noted earlier, that payments had been made as the result of scams devised by out-of-state prisoners. At the same time, legitimate claimants continued to have payments denied or accounts improperly frozen. The use of various consultants brought in to help EDD seemed not to remedy the problems. And, with additional federal assistance for displaced workers being provided by the new Biden administration, the challenges of operating the system increased. A report issued in mid-March 2021 by UCLA's California Policy Lab indicated that 47 percent of the California workforce had applied for unemployment benefits at some point in the pandemic.[26] Pre-existing EDD deficiencies were being exacerbated by the large volume of claims and the new programs.

Unopened Schools

The drama surrounding reopening of K-12 schools also continued. Governor Newsom, although pushing rhetorically for school reopening, was unwilling to impose a mandate which would have put him in conflict with teachers' unions. Instead, he continued with a strategy of offering funding incentives to districts that did reopen and of prioritizing teachers and school employees for vaccinations as "essential workers."

Nevertheless, the incentive approach failed with the larger districts such as Los Angeles Unified and San Francisco (Newsom's home city). In the latter case, the district's elected school board fell to quarreling among themselves about matters such as renaming schools while failing to provide basic in-person instruction, even after the local coronavirus case rate dropped.[27] The district eventually provided what was derisively described as "Zoom in a room," whereby students were placed in a school classroom but were instructed via Zoom by a teacher located somewhere else. Tensions also appeared nearby in the smaller Berkeley school district where a group of parents videoed the head of the local teachers' union dropping his child off at an in-person private preschool.

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[26] Alex Bell, Thomas J. Hedin, Roozbeh Moghadam, Geoffrey Schnorr, and Till von Wachter, "An Analysis of Unemployment Insurance Claims in California During the COVID-19 Pandemic," UCLA California Policy Lab, March 18, 2021. Available at https://www.capolicylab.org/wp-content/uploads/2021/03/March-18th-Analysis-of-CA-UI-Claims-during-the-COVID-19-Pandemic.pdf.

[27] The San Francisco school board removed one of its members as vice president due to anti-Asian tweets she had authored. She had said in 2016 that Asians were guilty of white supremacist thinking. Even before the pandemic, the San Francisco school board had been involved in a controversy that received national attention over removing or covering up a Great Depression-era school mural whose message the board members seemed to misunderstand.

State of the State

Normally, the governor's January budget message and his State of the State address are close in timing and tend to emphasize similar themes. The budget message's timing is constitutionally mandated and so could not be delayed. However, the State of the State's timing is at the governor's discretion. Coronavirus case numbers were topping off in January (Figure 4) and so a speech – which typically heralds achievements – might not have been well-suited for delivery early in the new year. The governor delayed the address until March 9, putting it between the January and May Revise budget proposal. In a way, therefore, the State of the State message provided a peek into thinking about the May Revise budget.

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Governor Newsom delivers State of the State address, March 9, 2021, in Dodger Stadium.

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By that time, three things were becoming evident. First, the fiscal situation of the state was continuing to outperform past forecasts. Second, a friendly Biden administration would indeed be providing additional assistance to California at both the state and local levels.[28] Third, it was becoming very likely that there would be a gubernatorial recall; recall organizers were already claiming they had sufficient signatures.

Thus, the State of the State speech – presented in an empty Dodger Stadium, also the location of a mass vaccination site – emphasized achievements in vaccine delivery while acknowledging that more speed would have been desirable. It emphasized the theme that the economy was "roaring back" (an assertion, however, that depended on which economic indicators one selected). And it alluded to the recall: "*So to the California critics, who are promoting partisan power grabs and outdated prejudices,*

[28]Federal grants to California counties and cities are listed at https://www.californiacitynews.org/2021/03/here%E2%80%99s-what-your-city-will-get-covid-relief-bill.html.

and rejecting everything that makes California great, we say this: we will not be distracted from getting shots in arms and our economy booming again."[29]

Timeline: Prelude to the May Revise

"Am I worried about it. Of course, I'm worried about it. The nature of these things, the up or down question, the zero-sum nature of the question is challenging... so we're taking it seriously."

Governor Gavin Newsom on the impending recall, March 2021[30]

In late March, the California Department of Public Health followed the federal Centers for Disease Control and Prevention (CDC) recommendation and indicated that the distance between school desks in K-12 in-person learning could be reduced to three feet (instead of six). In principle, this change made possible a general school reopening. It was clear that the governor wanted to induce a reopening through financial incentives instead of a mandate, but it was also evident that union opposition in big city districts was not going to be overcome by offering rewards. Over half of public school students in California were in remote learning at least part-time as of the end of April 2021, with affluent schools more likely than others to provide genuine full-time in-person instruction.[31]

Still, it was becoming clear was that parental anger over continued remote learning was not being directed at the governor (or state legislators), but instead was mainly focused on local school district officials, unions, and elected school boards. And parental attitudes were diffused, with some parents preferring the remote approach while others wanted a return to normal. Thus, to the extent that the recall was putting pressure on the governor, the school issue was not developing as a major factor for him. Nonetheless, he continued to insist that there should be *"no more Zoom schools"* in the fall of 2021.[32]

Recall Mechanics

One of the oddities of a recall is its two-part process. Voters in a gubernatorial recall election are offered two questions: 1) Should the governor be removed? and 2) Which candidate from a menu should replace him *if* a majority vote for removal. Question #1 is not a normal election with rival candidates and so there are no campaign contribution limits, allowing unrestricted fundraising (in this case by Newsom).

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[29]The 2021 State of the State address is available at https://www.gov.ca.gov/2021/03/09/governor-newsom-delivers-state-of-the-state-address-charting-californias-path-to-a-brighter-future/ (text) and https://archive.org/details/newsom-3-1-21/newsom+3-9-21+state+of+state.mp4 (video).

[30]Quoted in Meg Cunningham, "California Gov. Gavin Newsom says he's 'worried' about recall effort," *ABC News*, March 16, 2021. Available at https://abcnews.go.com/Politics/california-gov-gavin-newsom-worried-recall-effort/story.

[31]Daniel J. Willis and John Fensterwald, "Over half of California public schools remain in distance learning," *EdSource*, May 5, 2021. Available at https://edsource.org/2021/new-data-55-of-california-public-school-students-remain-in-distance-learning/653848.

[32]The governor called for "no more Zoom schools" on July 26, 2021, as part of a vaccine or test mandate for state workers and health care workers. See https://www.youtube.com/watch?v=KMKrm94Lt2M. The Zoom school reference is at minute 7:30.

On the other hand, question #2 involves a choice *between* alternative candidates as in a regular election, so the usual legal fundraising limits apply.[33]

Candidates in a recall are running against each other although they all have a joint interest in removing the incumbent governor. Thus, they have a complicated messaging problem. Note that another anomalous element of recalls is that the incumbent governor can receive more votes than an alternative candidate and yet be replaced by the alternate. For example, a governor receiving 49 percent support for remaining in office would be removed under question #1. But the alternative candidate with the most votes under question #2 who would then take office might nonetheless have fewer votes than 49 percent.[34]

As noted earlier, one thing that Newsom was able to insist on was that other prominent Democrats *not* run. The only prominent Democrat who made any public moves to be a candidate was billionaire Tom Steyer and he was quickly dissuaded by poor polling results. As a result, any alternative candidates with even a remote chance would either be Republicans or independents. Thus, as noted, ads for the governor could thus target the entire recall as a kind of Republican coup attempt, a mini-version of the January 6th, 2021 insurrection in Washington, DC by Trump supporters.[35]

Moreover, as a practical matter, if any candidate did succeed in replacing Newsom in the recall, whoever it was would only serve until January 2023 when Newsom's term would normally expire, not a lot of time to accomplish much, particularly when facing what would surely be a hostile legislature. To serve beyond that date would require winning a further term in the November 2022 general election. No Republican has won a statewide office in California since 2006.

In any case, recalling an elected official is in theory based on the idea that a replacement would have done a better job. It was easy to find criticisms of Governor Newsom in the context of the coronavirus crisis. Apart from the French Laundry scandal, there was the problem of EDD and the issuing of unemployment checks to scammers while legitimate claimants had trouble filing for benefits. Nonetheless, given the stresses of being in charge during a major health and economic crisis, the notion that someone else would have done better is easy to assert but impossible to prove.

Vaccines as an Issue

Vaccine distribution could have become a recall election issue had California continued to lag in that area. But gradually the lag was reduced and by the summer California was doing well in comparison to other states in both distribution and in low infection rates. Newsom was careful not to be seen as jumping the queue and did not get his personal shot until late March 2021 when individuals over age 50 became eligible. He then got the Johnson & Johnson one-shot vaccine.

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[33]Alternative candidates were required to submit five years of income tax returns under a law that had originally been aimed at Donald Trump in the 2020 California presidential primary. Trump refused to make his returns public in both the 2016 and 2020 elections. The Trump/primary component was voided in a court decision, but the requirement remained for other offices.

[34]Such a perverse result did not occur in the 2003 recall of incumbent governor Gray Davis. Davis received about 45 percent support and his replacement, Arnold Schwarzenegger, received 49 percent.

[35]See the pro-Newsom ad "Election Rejection" at https://archive.org/details/jenner-recall-5-4-21/Election+Rejection+6-17-21.mp4.

By early April, Newsom was promising that the California economy would be reopening in June. With the improving budget situation, new programs could be announced such as new wildfire prevention and suppression funding. The governor announced that with regard to the pandemic, he could see *"a bright light at the end of the tunnel."*[36]

Water and Population

One piece of impending bad news was a developing drought. There was pressure to declare an emergency and to impose mandated water restrictions, pressure which Newsom resisted. Even as late as in early July 2021, Newsom, while asking for a statewide 15 percent cut in water use, made his request voluntary. However, there were other continuing issues that could be held against Newsom in the recall. Census Bureau estimates indicated that California's population growth had come to a halt. In fact, the state's Department of Finance estimated that the California population had actually *fallen* in 2020.

In fact, the state – which had outpaced the national population growth rate from the mid-19th century until around 1990 – had exhibited average or subaverage growth thereafter. When the Cold War ended, and with it the infusion of federal military and aerospace spending, California lost its supernormal trend. But in the context of the twenty-first century, this loss was seen as tied to a lack of affordable housing and even to homelessness. In political terms, California was slated to lose one of its congressional seats as population growth ground to a halt. And, in the context of the recall, the issues of affordable housing and homeless encampments were fodder for any plausible recall candidates that might emerge.

The idea was that because of unaffordable housing, people were being displaced to the streets or had to leave the state for areas where the cost of living was lower. A rather pointless debate developed as to whether the population slowdown and even decline represented an "exodus," a word with Biblical connotations. There were assertions that most California residents weren't planning to move out. But it was of course true that 39 million people hadn't suddenly started packing their bags. Economic trends generally take place at the margin and not at the average. The cost of living and lack of affordable housing in California were issues, but whether a recall of the governor was the solution was another matter.

Timeline: From May Revise to Enacted Budget

"It's a remarkable turnaround. California is not coming back; California is going to come roaring back."

Governor Gavin Newsom shortly after May Revise budget was unveiled[37]

"As was the case in 2003, the list of candidates [in the recall] included a wide cross-section of Californians, including pastors, YouTubers, a Calaveras County bail bondsman, a veteran TV character actor, a Libertarian rapper, a self-described socialist who previously ran for mayor of Irvine, an entertainer who gives tours of sites related to the O.J. Simpson murder trial in a 1994 Ford Bronco and a Home Shopping Network jewelry expert."

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[36]Quoted in "Nearly halfway there," *CalMatters/Whatmatters*, April 16, 2021. Available at https://calmatters.org/newsletters/whatmatters/2021/04/california-hits-vaccine-milestone/.
[37]Quoted in Sophia Bollag, "Californians would get COVID stimulus money in Newsom plan," *Sacramento Bee*, May 10, 2021. Available at https://www.sacbee.com/news/politics-government/capitol-alert/article251283814.html.

Los Angeles Times, July 2021[38]

The presentation of the May Revise budget came at a point when the final stages of determining whether there would be a recall election were occurring. In theory, opponents had an official interval when they could try to persuade those voters who had signed the recall petition to unsign. But after a half-hearted effort in that endeavor was mounted, it became apparent that there was no chance of removing sufficient signatures to make a difference. On the other hand, the May Revise itself could make a difference in the outcome of the recall since it presented an opportunity to announce popular programs and general good news about the budget.

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Governor Gavin Newsom presents his May Revise budget proposal, May 14, 2021.

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Sloppy Fiscal Language

There was a meaningless controversy about whether what was mislabeled the "surplus" was $75 or $76 billion – governor's headline figure - or only $38 billion, the Legislative Analyst's Office adjustment. As we have noted, there is a tendency to misuse the word "surplus" in ways that deviate from the simple idea of a surplus being the difference between inflows and outflows. What seemed to be involved was that "surplus" was being used to mean something like a surprise or a windfall amount of state money that could be prudently spent in the governor's opinion or in somebody else's opinion.

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[38]Excerpt from Seema Mehta and Julia Wick, "As list of recall candidates takes shape, Jenner's in Australia for a TV show," *Los Angeles Times*, July 16, 2021. Available at https://www.latimes.com/politics/story/2021-07-16/deadline-candidates-recall.

If you look at the revenue originally expected for fiscal 2020-21 and what was estimated in the May (2021) Revise, you get about $50 billion. (Table 1) If you look at the revenue projections made by LAO for the 2021-22 budget back in November 2020 and compare them to the May (2021) Revise, you get roughly another $25 billion (Table 3), so you could say you had $75 billion total of surprise money. But LAO argued that you had to subtract off the additional mandatory spending that had to accompany the revenue surprise and arrived at $38 billion.

In contrast, the governor sometimes chose to add another $25 billion or so as surprise money from the Biden administration for a nice round $100 billion. Journalists reported the difference between the numbers in a he-said/she-said manner that emphasized the conflict rather than the question of whether any of these numbers assisted in promoting an understanding of the budget situation. And, in reality, neither number was of any importance. Both were examples of chronic sloppy budget language.

Getting It Done: Piece by Piece

The legislature enacted a "budget" by the mid-June constitutional deadline, but in fact budget negotiations between legislative Democrats and the governor continued thereafter. A budget was then enacted in pieces through various legislation – so-called trailer bills that continued to flow out until late July. The last trailer bill provided for a significant expansion of Medi-Cal coverage to residents (regardless of immigration status) aged 50 and over. There was in fact a *pot pourri* of new and expanded programs.

If you examine the 2021-22 budget in detail, you will find such programs as pre-K education, student housing at UC and CSU, continuation of "Project Roomkey" for the homeless, various expansions of the state's Medi-Cal (Medicaid) program, wildfire prevention programs, anti-drought programs, promotion of clean energy, expansion of broadband, etc., as well as programs specific to the pandemic. All of the new programs were proposed and enacted against the background of the impending recall election.

The Recall and the Pandemic

Polling data suggested in late July that the governor would survive the recall but that the outcome could depend on turnout. Republicans – supporting the recall – appeared more likely to turn out than Democrats.[39] Although many alternative candidates qualified for the ballot, only a handful had any name recognition. But Republicans seemed more interested in removing Newsom from office than in the question of who would succeed him if he were to be removed. Clearly, removal would be a Big Deal. On the other hand, a failure to remove the governor could be a Last Hurrah for the Republican Party in California whose support in the state has been in a long-term decline.

Coronavirus cases were rising again as the budget cycle ended, mainly among the unvaccinated. Nevertheless, "break-through" cases of vaccinated individuals attributed to a virus variant were also occurring, raising the specter of new lockdowns. Governor Newsom issued an order that all state workers and health care workers either be vaccinated or submit to weekly testing.

A new mini-scandal arose when it appeared that two of the governor's children were attending a summer camp that was ignoring a mask mandate. The children were withdrawn, and it was said that the governor was unaware of an email from the camp that announced the no-mask policy. Thus, the budget

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[39]Berkeley-IGS poll, July 27, 2021. Available at https://mailchi.mp/berkeley.edu/berkeley-igs-poll-2021-1185580.

cycle for enacting the 2021-22 budget ended with uncertainty about the short-term future of the state's economy, the coronavirus situation, the recall election, as well as national political developments.

Where Do We Go from Here?

"People that have been directly impacted by this pandemic... we will pay 100% of your rent going back to April of last year... and going forward to Sept. 30 of this year. One hundred percent of your rent... And you say, 'That's great, but I've got this water bill, I've got this electric bill.' We will pay 100% of those bills as well."

Governor Gavin Newsom, July 2021[40]

"The state is now spending money; it's not sustainable. We need a more frugal, sustainable, more prudent way of doing business. I would predict that certainly within two years, we're going to see fiscal stress."

Former Governor Jerry Brown, July 2021[41]

California – through a variety of very unusual circumstances – was able to enact a series of ambitious programs that even had the coronavirus pandemic not occurred, would have been hard to foresee only a few years ago. As the quote from former governor Jerry Brown above indicates, there is a question about what happens in the future. Have we created public expectations of, and demands for, state services that will not be sustainable in some coming downturn?

Short Term vs. Long Term

Jerry Brown in the quote above referred to "fiscal stress" within two years, i.e., a relatively short time horizon. Much can happen in the next two years or so, both in economic and political terms, and at the national as well as the state level. The future course of the pandemic is also a question. At this writing, new variants of the original virus are proving especially contagious, even affecting vaccinated individuals (although the unvaccinated remain especially vulnerable to serious and even fatal outcomes). First the University of California, then the governor with regard to state workers and health care workers, and then the California State University system, mandated vaccination in response.[42]

But what about a longer perspective, even beyond the pandemic? California grew in population from the end of World War II until 1990 – the end of the Cold War – at a bit over 2.6 percent per annum, a relatively rapid pace and notably faster than the nation as a whole. Apart from natural increase (births > deaths), California was a net importer of people, both from abroad and from the rest of the U.S. in that period. There is a tendency now to look back at that 1945-1990 period as something of a lost Golden Age and to look for state policy changes that could somehow bring it back.

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[40]"Newsom Promotes Cash Payments," *CalMatters/WhatMatters*, July 14, 2021. Available at https://us11.campaign-archive.com/?e=cd8ca92ba1&u=5f4af3af825368013c58e4547&id=dc4d19f866.

[41]Eric Ting, "Jerry Brown criticizes Gavin Newsom, California Legislature for spending spree, stimulus checks," *SFGATE*, July 14, 2021. Available at https://www.sfgate.com/gavin-newsom-recall/article/Jerry-Brown-California-budget-stimulus-check-spend-16314169.php.

[42]The governor's mandate was for vaccination or weekly testing. See https://www.youtube.com/watch?v=KMKrm94Lt2M.

After 1990, California's population growth was no longer above the U.S. average and there was little growth at all toward the end of the 2010s. Over the entire 1990-2020 period, the state grew in population about 1 percent per annum, about the same rate as the U.S. as a whole. Similar trend shifts were evident in employment as well as total population. Often cited as a cause for this loss of California's supernormal growth was the state's high cost of living, particularly in housing. There was a sense that if only we could fix the housing cost situation, the Golden Age would return.

As Figure 5 indicates, there was a housing price bubble which burst during the Great Recession of 2008. But after a decline, prices resumed their upward march. The high cost of owner-occupied housing was matched with increasing rents. All kinds of solutions were put forth, many involving relaxing local zoning standards and building permit requirements (such as parking), perhaps through a state mandate, to increase population density. But even assuming the validity of such arguments, the question is always "how big an effect would such policy changes produce?" Would those changes return California to its old Golden Age growth path?

If the goal is to return to the Golden Age pace of growth, or even a more moderate pace, the challenge surely goes beyond zoning, housing construction standards, and density. Figure 6 shows three alternative scenarios of California population growth. The lower continuous line shows the actual trend from 1990 to 2020 and then projections of population for 2030 and 2040 from the California Department of Finance (DOF). If the prior period 1945-1990 was a Golden Age, the years after 1990 are a kind of Paradise Lost and DOF essentially assumes continued sluggish population growth into the future.

More People; More Costs of Support

Suppose we could go back to 1990, wave a magic wand, and retroactively continue the pace of Golden Age growth. By 2020, instead of a bit under 40 million people, California under the continued Golden Age scenario would have had a population of over 65 million. Not only would those extra roughly 15 million people have needed housing, but they would also have needed water, power, transportation, schools, university slots, etc. And by 2040, under California's hypothetical continued Golden Age, the state population would be approaching 110 million. Where would those people be living? *How* would they be living? Would they have generated the budgetary revenue through taxes, both state and local, to produce that needed infrastructure and support?

If traveling back in time and restarting the Golden Age seems unrealistic, what if we had a lesser magic wand that simply could have restarted the pace of Golden Age growth in 2020 and could have continued it thereafter. That is, suppose we let the past be what it actually was but then suddenly adopted some path-breaking new policies that would produce Golden Age expansion again.

Compared to the DOF projection for 2030, there would be an extra 10 million folks in California with those same infrastructure and support needs cited earlier. And by 2040, there would be well over 20 million more than DOF projects. In short, if the target is to return to the Golden Age growth in some form, California would face budgetary pressures which might well be beyond its capacity.

Note that the Golden Age took place during a period when environmental concerns were at a lower level than they are today. And, going forward, climate change may render obsolete some of the

infrastructure we have today, especially with regard to water. Where will the money for adapting that infrastructure come from for the existing population?

The point is that even if a more moderate rate of growth is the goal, the same fiscal questions arise. More growth and more people mean more infrastructure costs, even apart from the cost that climate change seems to be imposing. You can defer such costs to the future through borrowing, as is often done with long-lived bond-financed infrastructure. But eventually someone must pay.

Identifying the Villain

As noted, the Golden Age ended when the Cold War ended and with it the inflow of federal dollars for the state's aerospace and related military industries. So, if you are looking for a villain that killed off the Golden Age, zoning by itself seems a poor choice. Zoning in California wasn't much different before and after the Cold War ended. But the break from the past that occurred circa 1990 was sharp.

In 1990, California entered a multi-year state budget crisis when the decline of aerospace and other related industries led to a revenue slump. Californians, who were used to an ever-increasing budget "pot" suddenly were faced with a situation – more typical of other states – in which if you want to spend more on program X, you either decrease spending on Y or you raise taxes. With an expanding fiscal pot reflecting supernormal economic growth, the trade-offs are not so stark.

There were subperiods within the post-1990 era in which it seemed that the old days had returned. The dot-com boom in the late 1990s poured money into state coffers. But it was followed by the dot-com bust and another budget crisis. The housing bubble/boom of the mid-2000s similarly provided revenue that went away during the housing bust, producing yet another state fiscal crisis. But the long run trend - averaging out the booms and busts - became slow growth. If you want to return to a situation in which there is rapid population growth on average, someone is going to have to pay for the necessary support system. The degree to which it will be the federal government is at best uncertain.

Diminishing Returns

Put another way, there are likely to be budgetary diminishing returns to growth in the future, something that the end of the Cold War previewed. Currently in California, these diminishing returns are expressed as housing costs. If you make policy changes that somehow make housing more affordable and thus accommodate more people, the rising marginal costs will be expressed in stresses on, and costs in, infrastructure and other support systems. The issue of climate change's impact on existing infrastructure and the increased environmental sensitivities compared with what prevailed in the Golden Age simply add to those costs.

Conclusion

"The future lies ahead."

Comedian Mort Sahl (1958)[43]

There is a sense that there is no conclusion to the story of California state budget making. Each year's budget is a prelude to the next. What occurs under one budget is the starting point for the one that

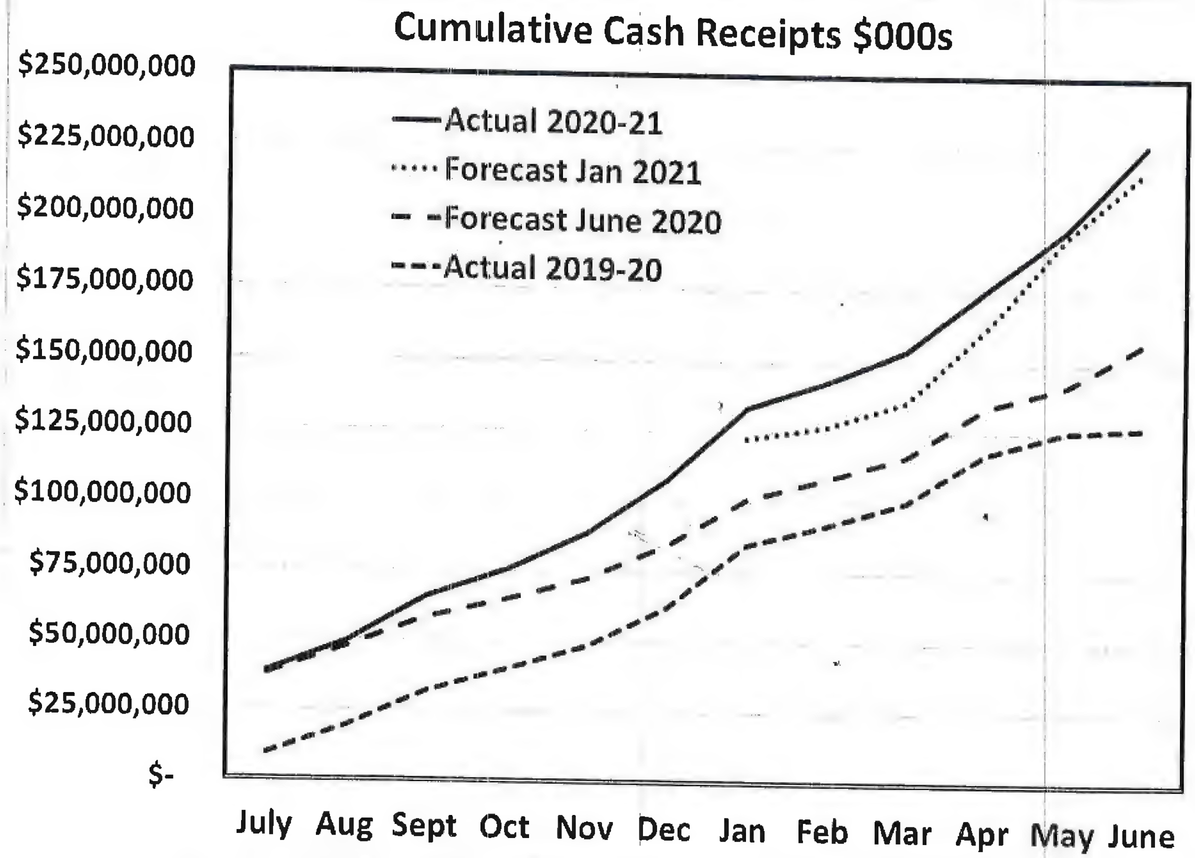
[43]Title of Sahl's recorded humorous commentary on the Eisenhower years: https://www.youtube.com/watch?v=kpx8m223OIk.

follows. The making of the 2021-22 budget occurred in a unique circumstance, a pandemic that didn't result in an expected drop in revenue during prior budget year, thus leading to substantial state reserves. In addition, there was a shift in Washington, DC to a friendly presidential administration. With unexpected resources and a gubernatorial recall threatening, a budget was produced with a heavy focus on the present.

Apart from Jerry Brown's concerns about state budgeting stresses arising in the short term business cycle sense, concerns which are real enough, there are more complex longer term challenges to state fiscal affairs. In the context of the whiplash from an expected sharp drop in state resources due to the pandemic to a budget that seemed flush with cash – and with a recall threat hanging above the governor – budgeting for 2021-22 was not undertaken with an eye to long term issues. The budget climate surrounding the making of the 2021-22 seemed great. There seemed to be money for everything. But that which cannot go on forever must eventually come to an end.[44]

[44]The author's version of (Herbert) Stein's law: "If something cannot go on forever, it will stop." Stein was President Nixon's chief economic advisor. If you Google the Stein quote, it is attributed to Stein in the mid-1980s. But the author remembers him saying something closer to the line in the text during the Nixon years, probably in reference to the inflation of that era.

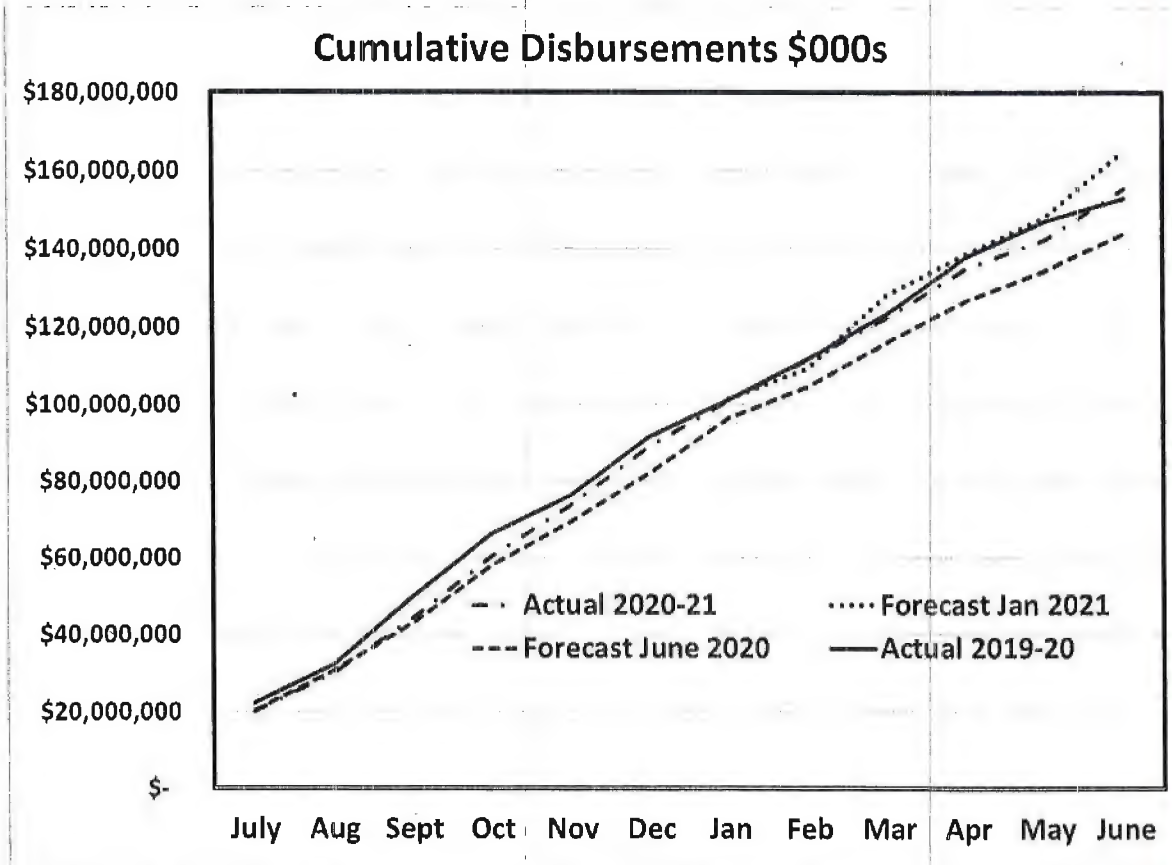
Figure 1



Source: Monthly cash statements of California state controller. Available at https://sco.ca.gov/ard_state_cash_fy2021.html.

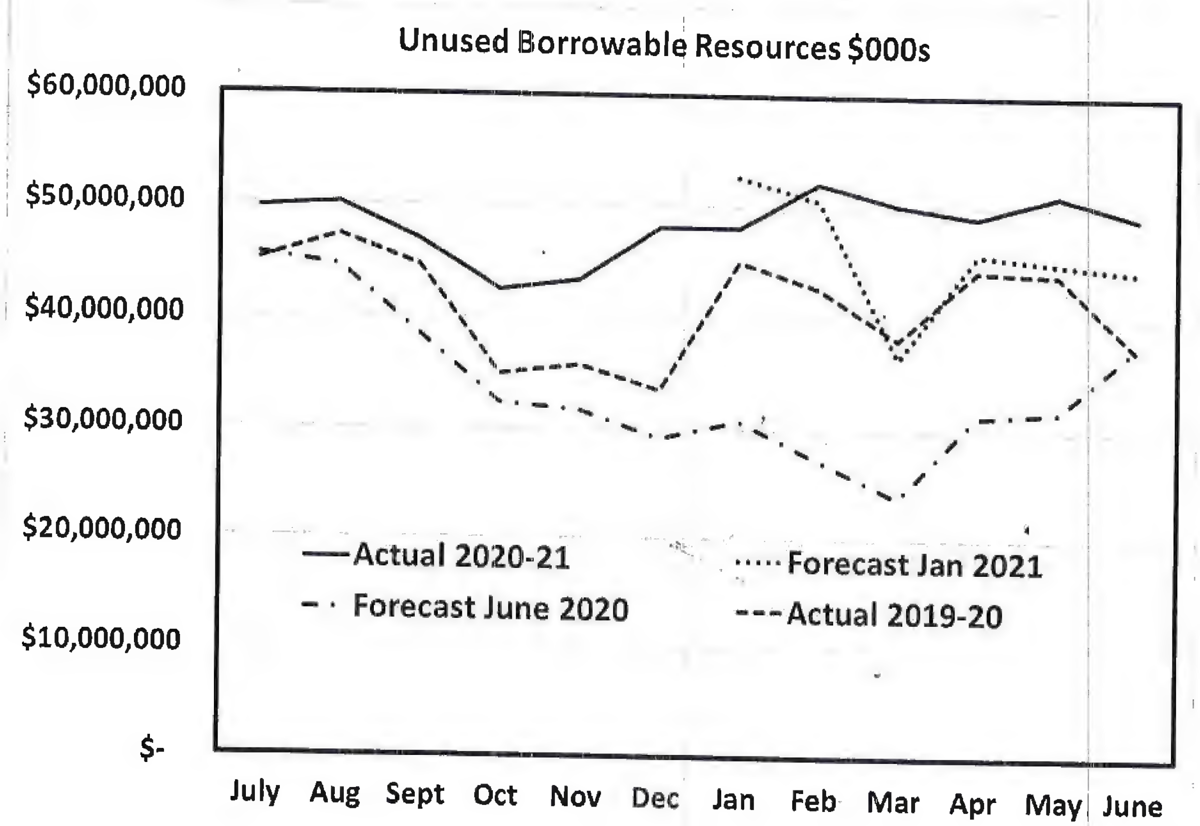
Note: Income taxes normally due in April 2020 were deferred until July 2020.

Figure 2



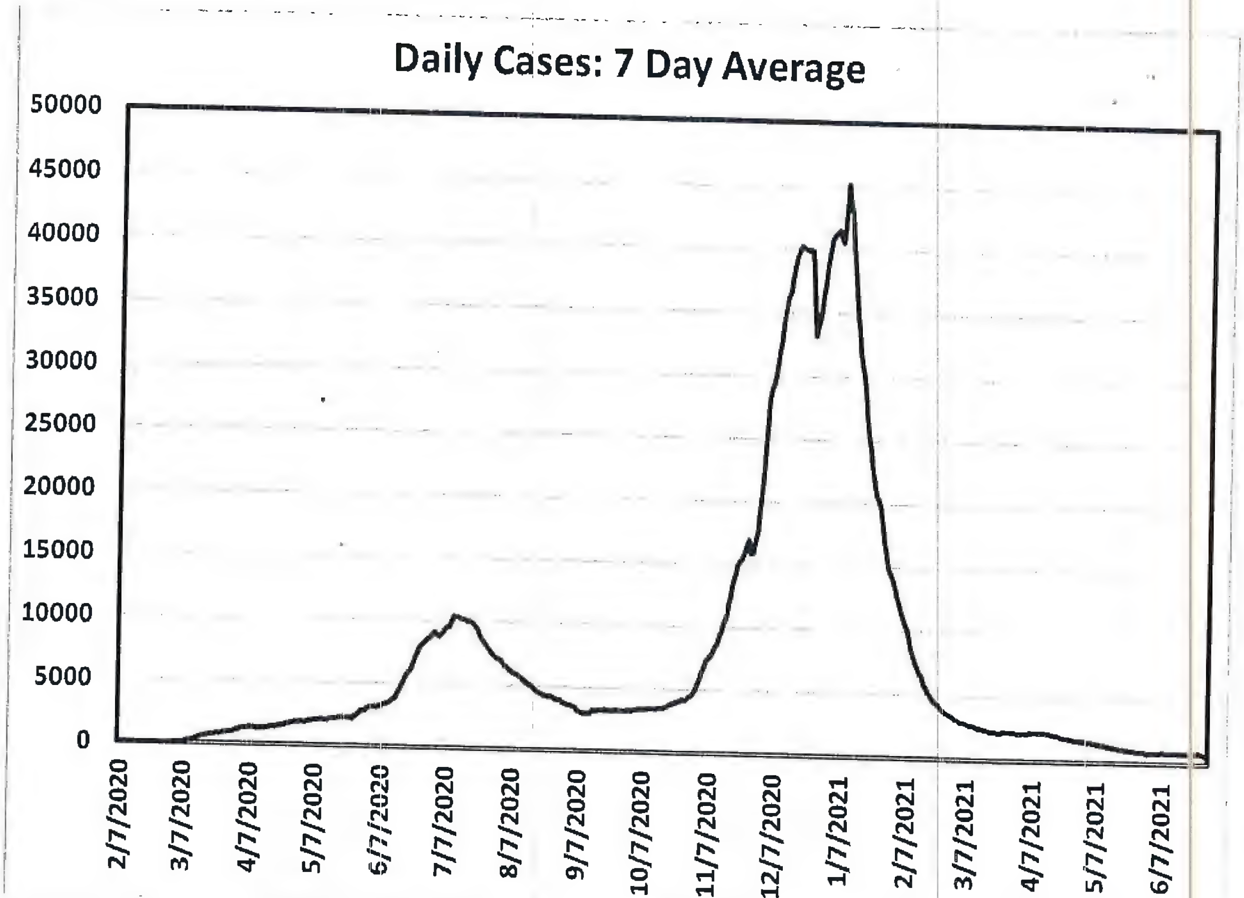
Source: Monthly cash statements of California state controller. Available at https://sco.ca.gov/ard_state_cash_fy2021.html.

Figure 3



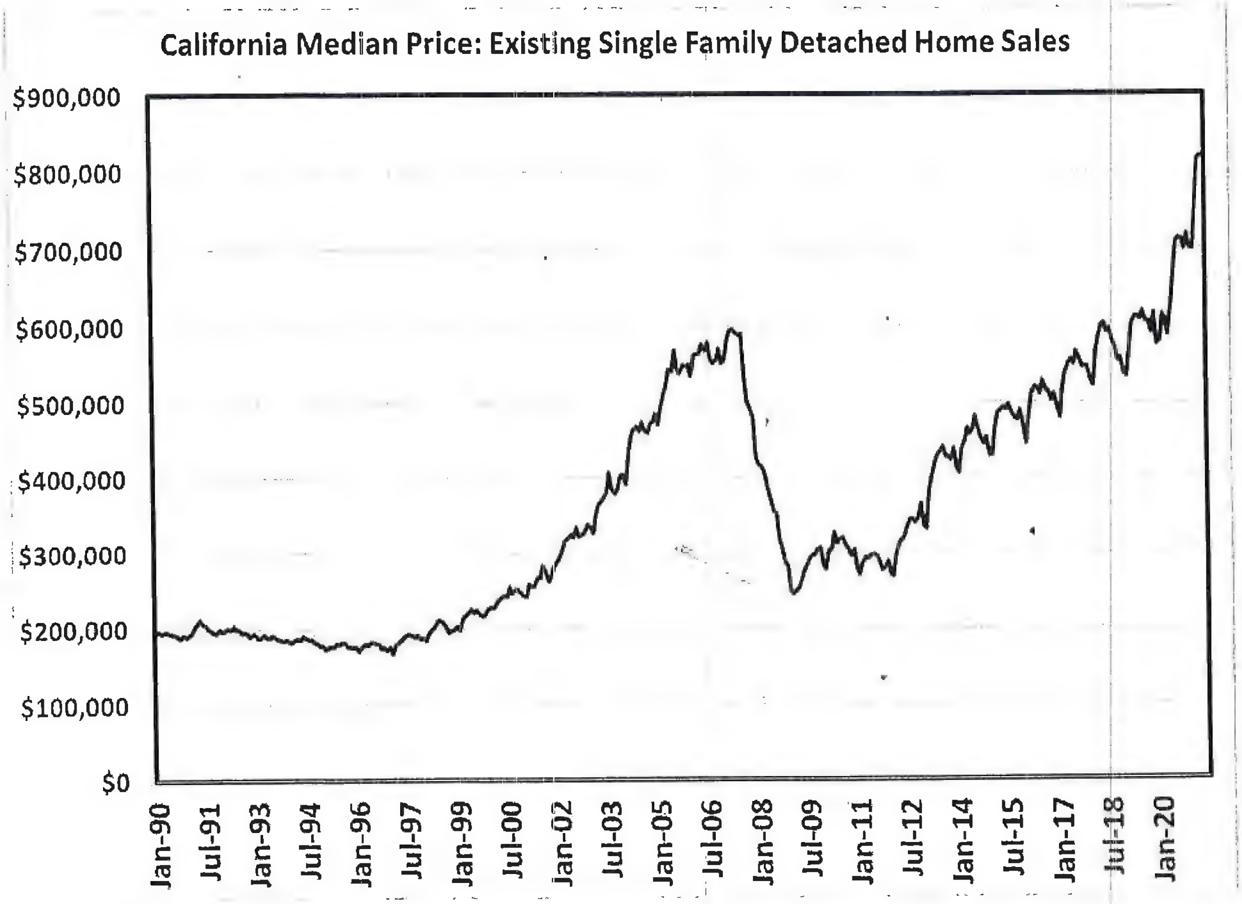
Source: Monthly cash statements of California state controller. Available at https://sco.ca.gov/ard_state_cash_fy2021.html.

Figure 4 Coronavirus Cases



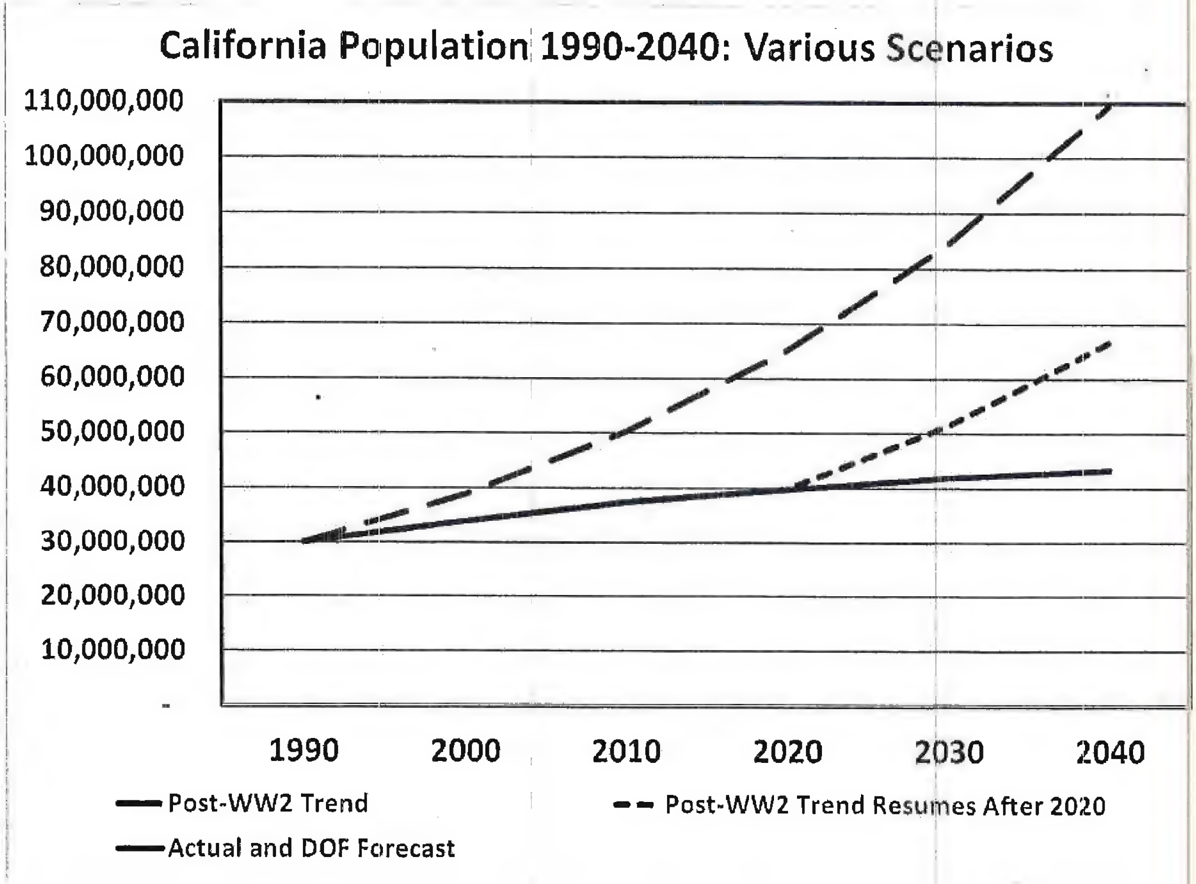
Source: California Open Data Portal. Available at https://data.chhs.ca.gov/dataset/f333528b-4d38-4814-bebb-12db1f10f535/resource/046cdd2b-31e5-4d34-9ed3-b48cdbc4be7a/download/covid19cases_test.csv.

Figure 5



Source: California Association of Realtors. Data for January 1990 – June 2021 available at https://car.sharefile.com/d-s0c02663a5c54e23a.

Figure 6



Source: California Department of Finance: https://dof.ca.gov/Forecasting/Demographics/Projections/documents/P1A_State_Total.xlsx.

Table 1

Evolution of the 2020-21 Budget ($Millions)

Budget for Year Source of Estimate Date of Estimate	2020-21 Governor June 2020	2020-21 LAO Nov 2020	2020-21 Governor Jan 2021	2020-21 Governor May 2021	2020-21 Legislature (LAO) June 2021	2020-21 Governor July 2021 d
General Fund						
Reserve July 1, 2020	$ 1,972	$ 5,550	$ 5,359	$ 5,658	$ 6,361	$ 5,557
Revenue & Transfers	$ 137,719	$ 173,464	$ 162,742	$ 187,020	$ 187,661	$ 188,775
Expenditures	$ 133,900	$ 146,855	$ 155,898	$ 165,243	$ 165,809	$ 166,083
Surplus/Deficit	$ 3,819	$ 26,609	$ 6,844	$ 21,777	$ 21,852	$ 22,692
Reserve June 30, 2021	$ 5,791	$ 32,159	$ 12,203	$ 27,435	$ 28,213	$ 28,249
Public School						
Reserve July 1, 2020	$ 524 a	na	$ 524 a	$ 524	$ 524 c	$ 524
Reserve June 30, 2021	$ 487 a	na	$ 747	$ 1,984	$ 1,984 c	$ 1,889
Surplus/Deficit	$ (37)	na	$ 223	$ 1,460	$ 1,460 c	$ 1,365
Safety Net						
Reserve July 1, 2020	$ 900	$ 450	$ 450	$ 900	$ 900	$ 900
Reserve June 30, 2021	$ 450	$ 450	$ 450	$ 450	$ 450	$ 450
Surplus/Deficit	$ (450)	$ -	$ -	$ (450)	$ (450)	$ (450)
Budget Stabilization						
Reserve July 1	$ 16,116	16489	$ 16,489 b	$ 16,116	$ 16,116	$ 16,116
Reserve June 30, 2021	$ 8,310	8683	$ 12,536	$ 12,494	$ 12,034	$ 12,339
Surplus/Deficit	$ (7,806)	$ (7,806)	$ (3,953)	$ (3,622)	$ (4,082)	$ (3,777)
Total Reserves						
Reserve July 1, 2020	$ 19,512	na	$ 22,822	$ 23,198	$ 23,901	$ 23,097
Reserve June 30, 2021	$ 15,038	na	$ 25,936	$ 42,363	$ 42,681	$ 42,927
Surplus/Deficit	$ (4,474)	na	$ 3,114	$ 19,165	$ 18,780	$ 19,830
Total Reserves/ Expenditures (%)	11.2%	na	16.6%	25.6%	25.7%	25.8%

[a] Figure from Jan. 2019 budget
[b] Figure from LAO Nov. 2020 budget
[c] Figures from Governor's May Revise. LAO doesn't include Public School reserve.
[d] Enacted 2021-22 budget was not completed until mid-July 2021.
Note: Governor's estimates are from the Department of Finance.

Source: California Dept. of Finance. Data Available at http://www.ebudget.ca.gov/; Legislative Analyst's Office. Data Available at https://lao.ca.gov/reports/2020/4297/fiscal-outlook-111820.pdf; https://lao.ca.gov/Publications/Detail/4445.

Table 2

California Unemployment Rate: UCLA Anderson Forecasts (percent)

Forecast of:	2020-III	2020-IV	2021-I	2021-II	*2021-III*	*2021-IV*	*2022-I*	*2022-II*
June 2020	12.2	11.0	9.0	8.3	7.8	7.6	7.3	7.1
Dec 2020	*12.0*	8.9	7.8	7.2	6.6	6.1	5.7	5.1
June 2021	*12.0*	*9.3*	*8.6*	7.7	6.4	5.9	5.6	5.4

Note 1: Figures in italics are actual data from U.S. Bureau of Labor Statistics, not forecasts.
Note 2: Actual unemployment rate in Feb. 2020 (just before pandemic) was 4.3%.

Source: UCLA Anderson Forecast quarterly publications. Available by subscription from the Forecast.

Table 3

Evolution of the 2021-22 Budget ($Millions)

Budget for Year	2021-22	2021-22	2021-22	2021-22		2021-22	
Source of Estimate	LAO	Governor	Governor	Legislature (LAO)		Governor	
Date of Estimate	Nov 2020	Jan 2021	May 2021	June 2021		July 2021	b
General Fund							
Reserve July 1, 2021	$ 32,159	$ 12,203	$ 27,435	$ 28,213		$ 28,249	
Revenue & Transfers	$ 151,725	$ 158,370	$ 175,921	$ 173,711		$ 175,345	
Expenditures	$ 154,360	$ 164,515	$ 196,795	$ 195,548		$ 196,440	
Surplus/Deficit	$ (2,635)	$ (6,145)	$ (20,874)	$ (21,837)		$ (21,095)	
Reserve June 30, 2022	$ 29,524	$ 6,058	$ 6,561	$ 6,374		$ 7,154	
Public School							
Reserve July 1, 2021	na	$ 747	$ 1,984	$ 1,984	a	$ 1,889	
Reserve June 30, 2022	na	$ 2,988	$ 4,601	$ 5,300		$ 4,506	
Surplus/Deficit	na	$ 2,241	$ 2,617	$ 3,316		$ 2,617	
Safety Net							
Reserve July 1, 2021	$ 450	$ 450	$ 450	$ 450		$ 450	
Reserve June 30, 2022	$ 450	$ 450	$ 450	$ 1,200		$ 900	
Surplus/Deficit	$ -	$ -	$ -	$ 750		$ 450	
Budget Stabilization							
Reserve July 1, 2021	$ 8,683	$ 12,536	$ 12,494	$ 12,034		$ 12,339	
Reserve June 30, 2022	$ 10,871	$ 15,574	$ 15,939	$ 15,874		$ 15,781	
Surplus/Deficit	$ 2,188	$ 3,038	$ 3,445	$ 3,840		$ 3,442	
Total Reserves							
Reserve July 1, 2021	na	$ 25,936	$ 42,363	$ 42,681		$ 42,927	
Reserve June 30, 2022	na	$ 25,070	$ 27,551	$ 28,748		$ 28,341	
Surplus/Deficit	na	$ (866)	$ (14,812)	$ (13,933)		$ (14,586)	
Total Reserves/ Expenditures (%)	na	15.2%	14.0%	14.7%		14.4%	

[a] Figure from governor's May Revise.
[b] Enacted 2021-22 budget was not completed until mid-July 2021.
Note: Governor's estimates are from the Department of Finance.

Note: June 2021 figures from the legislature do not coincide precisely with LAO's analysis of those figures. LAO's data are used except for Public School reserve. July 1, 2021, Public School reserve is the governor's figure. June 30, 2022 Public School reserve is from the legislature.

Source: California Dept. of Finance. Data Available at http://www.ebudget.ca.gov/; Legislative Analyst's Office. Data Available at https://lao.ca.gov/reports/2020/4297/fiscal-outlook-111820.pdf; https://lao.ca.gov/Publications/Detail/4445; California State Assembly. Data available at https://sbud.senate.ca.gov/sites/sbud.senate.ca.gov/files/Legislature%27s%20Version%20Summary%20FINAL.docx.pdf.

Table 4

November 2020 Statewide Ballot Measures

Prop 14: More Bonds for Stem Cell Research – Passed 51%-49%

Prop 15: Split Roll Property Tax: Commercial Properties Taxed Higher Than Residential – Failed 48%-52%

Prop 16: Repeal Ban on Affirmative Action* – Failed 43%-57%

Prop 17: Parolee Voting Rights* -- Passed 59%-41%

Prop 18: 17-Year Old Voting Rights in Primaries* – Failed 44%-56%

Prop 19: Expand and Narrow Property Tax Provisions Applicable to Seniors* – Passed 51%-49%

Prop 20: Harsher Criminal Sentences – Failed 38%-62%

Prop 21: Expansion of Local Rent Control Authority – Failed 40%-60%

Prop 22: Preservation of Gig Worker Independent Contractor Status – Passed 59%-41%

Prop 23: Regulation of Dialysis Clinics – Failed 37%-63%

Prop 24: Consumer Data Privacy – Passed 56%-44%

Prop 25: Referendum on Law Ending Cash Bail** – Law Voided 44%-56%

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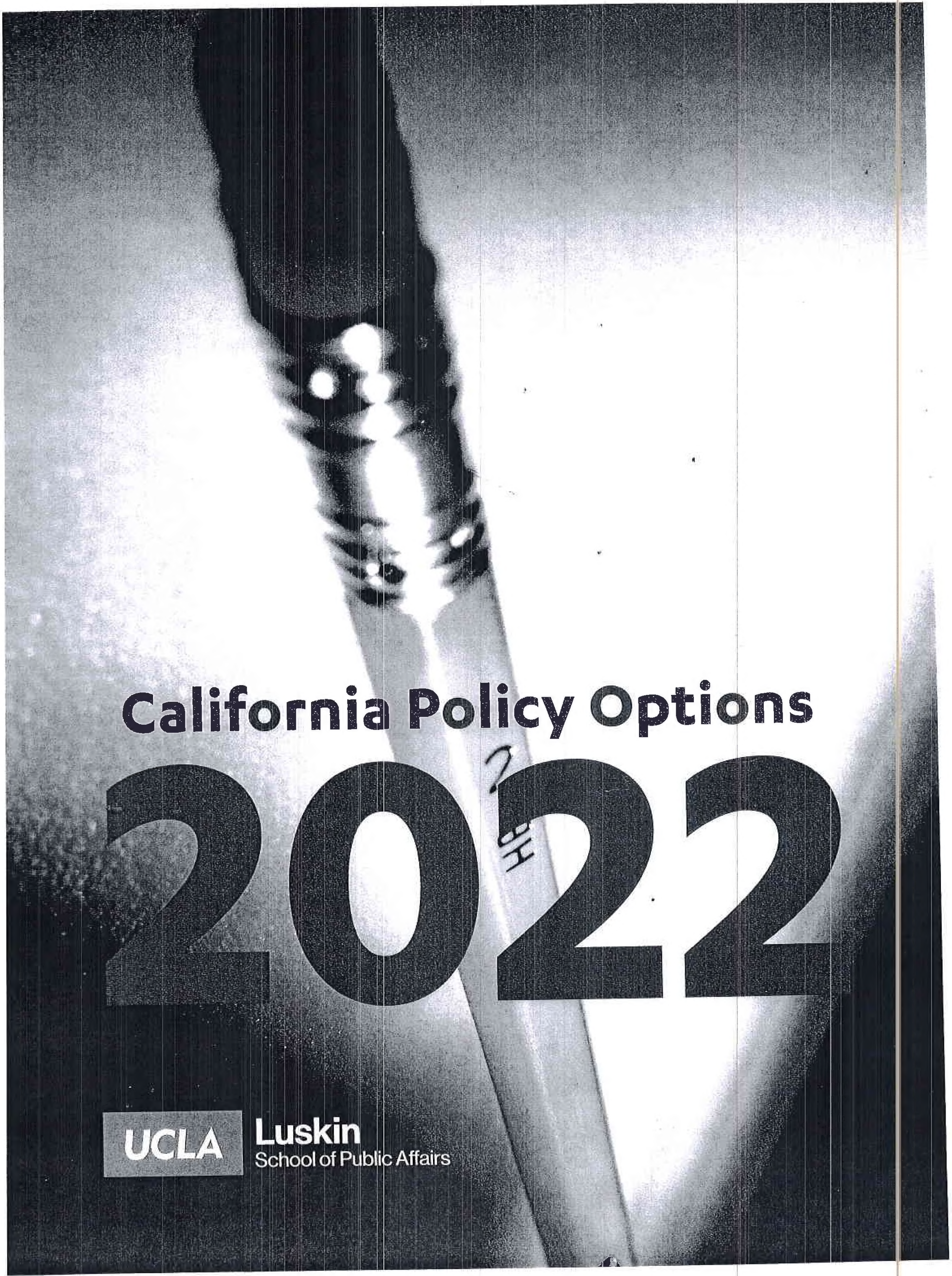
*Placed on ballot by state legislature.

**A "referendum" prevents a law passed by the legislature from going into effect until a vote of the people is held. A "yes" vote allows the law to go into effect. A "no" vote voids the law. There has been a proposal in the legislature to reverse the meanings of "yes" and "no" on the grounds that voters who want to void a law might vote "yes" thinking it meant "yes, repeal it."

Source of Vote Totals: California Secretary of State. Available at https://elections.cdn.sos.ca.gov/sov/2020-general/ssov/ballot-measure-summary.pdf.



California Policy Options 2022

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